

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 EA-11 ISO-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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P R 200700Z SEP 73

FM AMEMBASSY TANANARIVE

TO SECSTATE WASHDC PRIORITY 5650

AMEMBASSY LONDON

INFO AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY TOKYO

C O N F I D E N T I A L TANANARIVE 1309

NOFORN

E. O. 11652: GDS

TAGS: ENRG, ETRD, MA, US, JA, FR, CA, IBRD

SUBJ: POSSIBLE WORLD BANK ROLE IN ROGEZ HYDROELECTRIC PROJECT AND
LOCOMOTIVE PURCHASE BY MADAGASCAR

REFS: A) TANANARIVE 1005(NOTAL); B) TANANARIVE 1286(NOTAL)

DEPT PASS TO COMMERCE AND EXIMBANK

LONDON PLS PASS SUBSTANCE PARA 2 TO CAPKA, KAISER ENGINEERS

1. SUMMARY: GOMR LIKELY ATTEMPT OBTAIN WORLD BANK FINANCING FOR
ROGEZ HYDROELECTRIC PROJECT AND PURCHASE OF RAILROAD LOCOMOTIVES.
BOTH ARE PROJECTS FOR WHICH WE ARE ATTEMPTING TO INTEREST GOMR IN
SERVICES AND EQUIPMENT OF US FIRMS WITH EXIMBANK FINANCING. ACTION
REQUESTED: SINCE EXIMBANK FINANCING WOULD OFFER MUCH BETTER ASSUR-
ANCE OF US EQUIPMENT SALES IN BOTH CASE THAN WORLD BANK FUNDING, WE
RECOMMEND DEPT TRY DISSUADE WORLD BANK FROM INVOLVEMENT ON GROUND
OF LIKELY AVAILABILITY OF EXIMBANK FINANCING. END SUMMARY.

2. REPRESENTATIVE OF CANADIAN AID PROGRAM IN MADAGASCAR RECENTLY
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INFORMED EMBOFF THAT CANDIAN GOVT STILL GIVING SERIOUS CONSIDERATION

TO POSSIBLE ASSISTANCE FOR ROGEZ HYDROELECTRIC PROJECT. BECAUSE OF LARGE SIZE OF PROJECT, HE INDICATED IT LOOKS AS THOUGH GOC MAY JOIN JAPANESE AND WORLD BANK IN FINANCING TOTAL COST. AS NOW ENVISAGED, CANADIANS WOULD PROVIDE EITHER TURBINES OR TRANSMISSION LINES.

3. AS INDICATED REF B., MALAGASY DIRECTOR OF MINES AND ENERGY ALSO INDICATED POSSIBLE WORLD BANK INVOLVEMENT IN ROGEZ PROJECT. IT IS LIKELY THIS SUBJECT WILL BE RAISED BY GOMR IN SCHEDULED VISIT OF MCNAMARA TO TANANARIVE IN LATE SEPT.

4. MALAGASY WILL PROBABLY ALSO RAISE WITH MCNAMARA ADDITIONAL FINANCING FOR RAILROAD INCLUDING PURCHASE OF LOCOMOTIVES. WE FURTHER UNDERSTAND MIN TERRITORIAL DEVELOPMENT ANDRIAMAHAZO PLANNING TO VISIT WASH. IN MID-OCT FOR DISCUSSIONS WITH WORLD BANK ON ASSISTANCE FOR RAILROAD "INTER ALIA".

5. AS DEPT AWARE, WE ARE PRESENTLY ATTEMPTING TO INTEREST GOMR IN POSSIBILITY OF EXIMBANK FINANCING FOR BOTH THESE PROJECTS: INCASE OF RAILROAD, FOR SALE OF GENERAL MOTORS LOCOMOTIVES (FOR WHICH MALAGASY RAILROAD OFFICIALS RECENTLY PROVIDED WITH FULL TECHNICAL AND FINANCIAL PROPOSAL), AND AS KEY ELEMENT IN KAISER ENGINEERS' OVERALL FINANCING PROPOSAL FOR ROGEZ PROJECT. AS WE SEE IT, IT WOULD BE MUCH PREFERABLE FROM US STANDPOINT THAT GOMR OPT FOR EXIMBANK FINANCING WHICH WOULD GUARANTEE BUSINESS FOR AMERICAN FIRMS. IT IS TRUE GM AND OTHER US FIRMS WOULD HAVE CHANCE FOR LOCOMOTIVE CONTRACT IF THERE IS OPEN BIDDING UNDER WORLD BANK FINANCING. HOWEVER, IF WORLD BANK FINANCING OF ROGEZ PROJECT IS LINKED TO CANADIAN, JAPANESE, OR OTHER BI-LATERAL AID, IT IS LIKELY OTHER DONORS WOULD SUPPLY HEAVY EQUIPMENT REQUIREMENT AND CONSTRUCTION COSTS WOULD BE LEFT FOR WORLD BANK. SINCE NO US CONTRACTING FIRMS HAVE EVER OPERATED IN MADAGASCAR, IT IS LESS LIKELY WE WOULD BE COMPETITIVE ON CONSTRUCTION SIDE.

6. ACTION REQUESTED: WE BELIEVE DEPT SHOULD SEEK DISSUADE WORLD BANK FROM INVOLVEMENT THESE TWO PROJECTS ON GROUND EXIMBANK FINANCING AVAILABLE AS ALTERNATIVE. IF SUCH APPROACH DEEMED APPROPRIATE, WE FEEL IT SHOULD PROBABLY BE DONE PRIOR TO DEPARTURE OF MCNAMARA AND OTHER WORLD BANK OFFICIALS FOR MEETING IN NAIROBI AND SUBSEQUENT VISIT TO MADAGASCAR.

7. MESSAGE SLUGGED NOFORN TO PREVENT DISTRIBUTION THROUGH LIAISON
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CHANNELS OR OTHERWISE TO OTHER GOVTS. INFO HEREIN CAN OBVIOUSLY BE USED WITH WORLD BANK TO SERVE OBJECTIVE OF MESSAGE.
MENDENHALL

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